

Lao PDR: Scaling-up Participatory Sustainable Forest Management Environmental and Social Impact Assessment

Executive Summary

1. Introduction

This document summarizes the environmental and social impact assessment of the proposed project on *Scaling up Participatory Sustainable Forest Management* (SUPSFM)¹. The summary has been presented and discussed in sub-national stakeholders' consultation workshops held in Oudomxai for Northern Lao stakeholders, Savannakhet for Central Lao stakeholders, and Champasack for Southern Lao stakeholders. Comments and suggestions received have been used to improve and finalize the environmental and social impact assessment as well as in the development of safeguard instruments of the proposed project.

2. Description of the Proposed Project

2.1 Project Development Objective and Expected Outcomes

The project development objective (PDO) is to support execution of REDD+ (Reduced Emissions from Deforestation and Degradation) activities through participatory sustainable forest management in priority areas and pilot forest landscape management in four provinces. Achievement of the PDO is expected to result in expansion of areas under approved PSFM plans, development and piloting of a Landscape approach to forest management, an increase in the number of people with monetary and non-monetary benefits from forest, decreased rate of forest cover loss, enhanced carbon storage from improved protection and forest restoration, and reduced emissions from deforestation and forest degradation in project areas.

2.2 Project Coverage

SUPSFM is a continuation and expansion of the Sustainable Forestry and Rural Development Project (SUFORD), which was implemented in 2003-2012 and was recently completed. SUFORD covered 9 of the 16 Lao provinces and 16 of the 51 Production Forest Areas (PFAs) of the country. In terms of area coverage, SUFORD covered 1.3 million ha or 42% of the total 3.1 million ha of production forests in Lao PDR.

SUPSFM will expand the coverage of PSFM from 16 PFAs under SUFORD to a total of 41 PFAs out of the 51 PFAs in the country. It is expected that the remaining 10 PFAs will be covered with financing from Government of Lao PDR (GoL) budget and Japanese support. The 41 PFAs to be covered by SUPSFM have a total area of 2.3 million ha, or almost three-quarters of the total area of the 51 PFAs, and are in various stages of PSFM implementation.

In addition to covering all PFAs in Central and Southern Laos, SUPSFM will cover 7 of the remaining 17 PFAs in Northern Lao. The 7 PFAs to be covered by SUPSFM are located in the provinces of Bokeo, Louangnamtha, and Oudomxai. Forest Landscape Management will also be piloted in these provinces.

¹ This summary reflects the design of the project as it has evolved based on consultations held in Lao PDR during the period since initial ESIA disclosure on January 28, 2013. An updated ESIA has recently been posted on the implementing agency website in Lao PDR and on InfoShop.

2.3 Beneficiaries

The main project beneficiaries will be the communities involved in the implementation of PSFM in PFAs and Village-use forests in the forest landscapes covered by the Project. These communities will benefit from improved tenure security and expanded livelihood opportunities. District, province, and national forestry and other relevant government institutions and their staff will receive training and support from the Project. The Government will further benefit from improved quality of forest management, strengthened forest law enforcement and improved revenue collection.

2.4 Project Components

SUPSPFM will include four components designed for the attainment of the PDO, as follows:

- **Component 1: Strengthening and expanding PSFM in Production Forest Areas.** Field-based activities that will bring about the expected social and environmental impacts of the Project will be focused in Component 1, which will expand PSFM and associated delivery of livelihoods to reach 41 PFAs located in 12 provinces and comprising a total of 2.3 million ha.
- **Component 2: Piloting Forest Landscape Management.** Component 2 will develop a landscape approach to managing large forest areas, which will potentially comprise several hundreds of thousand ha of forest areas that include production, conservation, and protection state forest areas, village-use forests, and smallholder agroforestry areas. The consideration of such large forest landscapes is meant for a more effective pursuit of objectives related to REDD+, biodiversity conservation, and enhancement of forest ecosystems services.
- **Component 3: Enabling legal and regulatory environment.** Component 3 will include sub-components on (a) strengthening the legal and regulatory frameworks for PSFM and Landscape and for providing secure tenure to participating villages; (b) strengthening forest law enforcement and governance, and enhanced monitoring of timber management and salvage logging, and (c) creating public awareness for climate change and REDD+. The activities under Component 3 will have crucial and direct effects on the successful implementation of field-based activities particularly those of Component 1, as well as in shaping the forest landscape management approach that will be developed under Component 2.
- **Component 4: Project management.** Component 4 will include (a) project management at national and sub-national levels, (b) technical assistance, and (c) project monitoring and evaluation. The activities under Component 4 are necessary for the smooth implementation of the Project and for undertaking monitoring of carbon emissions and other social and environmental impacts of the Project.

3. The Project Setting

3.1 Demographic and Social Setting

Demography and ethnicity: SUPSPFM will involve 1,284 villages in 83 districts in the 12 provinces. The population in the 1,284 villages is approximately 424,000 of which 198,000 are women. In the 4 original provinces of SUFORD, 58% of the target communities belong to Lao-Tai linguistic family, while a great majority of the minority (Indigenous Peoples are referred to as Ethnic Groups in Lao PDR) belong to Katuic speaking groups. The 5 additional

provinces of SUFORD show an increase in cultural diversity with ethnic groups comprising Harak, Talieng, Tri, Souay, Brao, Khmou, Hmong, Mien, and others. Ethnic diversity in the project will increase further as 3 Northern provinces are added whose population comprises predominantly Sino-Tibetan linguistic ethnic groups. Lao-Tai speakers, which comprise 58% in the 4 SUFORD original provinces and 48% in the 5 SUFORD additional provinces, comprise only 14% in the 3 SUPSFM expansion provinces. Increased cultural diversity in new areas will generate increased ethnographic challenges brought about by different livelihood strategies, gender relations, and overall worldviews. These will bring about risks and issues stemming from the considerable variation in terms of social organization, culture, land-use practices, food security, Lao language competency, resource access, gender roles, and participation in local development planning processes.

Customary Authorities and Decision Making: The village is traditionally the primary political, economic and social unit. Leadership is a crucial issue for many of the ethnic groups in the project areas. While the villages have official Village Heads, it does not mean that they have a lead role in all matters. Traditional or customary leaders, for example, choose upland areas for the current season's cultivation; may resolve disputes in the village and with other villages; may manage sacred spaces in the village and its surrounding land, forests, and water; and be important intermediaries between the temporal and spirit worlds. In other words, they perform functions that support the traditional livelihoods systems of the local villagers and are respected. Thus, not to explicitly include them in discussions on matters related to land and forest planning is not culturally appropriate and represents an "adverse social impact."

Gender: In general, women are disadvantaged in comparison with men with respect to access to development benefits, education and health services. Women's representation in positions of power and decision-making remains limited. Women have a far lower average literacy rate than men and many do not speak Lao. Ethnic women are particularly the most disadvantaged in Lao society. They are traditionally in charge of the physical reproduction of their group and also of key economic activities, such as the selection of the indigenous upland rice varieties to be planted or collecting wild food products. They are extremely vulnerable to changes that affect their economic activities, especially change in the environment, settlement patterns, and land usage rights.

Socioeconomic Settings: Poverty, Education, Health, Livelihoods, and Markets: The poorest districts in the country are clustered in the north-western part in the provinces of Louangnamtha, Bokeo, and Oudomxai, which are the 3 SUPSFM expansion provinces. Oudomxai, in particular, is the poorest province in the country with poor villages comprising 91.6% of the total villages. The 2005 census revealed that 23% of the population had never been to school, with 30% of the women compared to 16% of the men. Utilization of health care services is very low (0.1 annual patient visits per person in some rural districts). Less than 30 per cent of people in need of medical services turn to the health system for help. Food security is often a primary concern for minority ethnic groups. Most of these groups practice rotational rice cultivation as their main livelihood strategy. Non-timber forest products (NTFPs) are an important source of nourishment and they are also a major source of income. The 3 SUPSFM expansion provinces of Louangnamtha, Oudomxai, and Bokeo are surrounded by three countries with booming economies, but trading with Thailand and Burma is increasingly being eclipsed by Chinese influence. There is a particularly long shared history of trade and exchange between the people of Louangnamtha and those of the Chinese province of Yunnan.

3.2 Environmental Setting

The 8 SUFORD original PFAs contain a mix of lowland semi-evergreen forests, dry dipterocarp forests, and riverine wetlands, while the 8 SUFORD additional PFAs are dominated by mixed deciduous, dry dipterocarp, and savannah forests at lower elevations and lower montane forests on upper slopes. Being located in the same provinces, the environmental setting in the 18 SUPSFM expansion PFAs is similar to those of the 8 SUFORD additional PFAs. The 7 expansion PFAs in the 3 Northern Lao provinces are located in terrain that is mountainous with low-lying river valleys. As most land is found on mountain slopes, the area available for paddy rice is limited and rain-fed upland agricultural fields, fallows, and forests therefore dominate the landscape. Farmers cultivate this hilly landscape via shifting cultivation, a practice that uses fire to clear temporary fields for cultivation. Forest cover in the 7 expansion PFAs varies from 21% to 68% and consists mainly of mixed deciduous forests.

3.3 Legal and Institutional Setting

Laws and Regulations: Constitutionally, Laos is recognized as a multi-ethnic society, and Article Eight of the 2003 Constitution states that, “All ethnic groups have the right to protect, promote, and preserve the customs and cultures of their own tribes and of the Nation. All acts creating division and discrimination among ethnic groups are forbidden.” The Forestry Law (2007) recognizes villagers’ customary rights to forest use, and the Land Law makes provision for communal titling of land, irrespective of whether it is inside or outside designated forest areas. Production Forest Areas (PFAs) were first given highest level recognition via Prime Minister (PM) Decree 59 in 2002, followed by the Ministry of Agriculture and Forestry (MAF) issuance of regulations on forest management and most recently (2012) on timber benefit sharing. Although various laws and regulations may leave room for interpretation, the Letter on Forest Management Policy (2012) is unequivocal that the principle of community participation in forest management be respected. The PM Order on Decentralisation (2001), the Law on Local Administration (2003), and recently the Resolution of Politburo (03/PM/2012) provides for the formulation of provinces as strategic units, districts as comprehensively strong units, and villages as development units.

Judicial System: Lao PDR has a four-tier court system: area, provincial, regional, and People’s Supreme Court. Conflict resolution is more usually undertaken at village level. An important aspect of access to justice is the availability of legal advice. Although there have been some improvements since 2003, the lack of lawyers is a problem of great magnitude. Increasingly the National Assembly is seen as the ultimate recourse for plaintiffs failing to obtain satisfaction through statutory legal systems, as witnessed by the recent escalation in land conflict-related complaints to the National Assembly.

Stakeholders: The main stakeholders in the project are the local communities in participating villages, government units that directly or indirectly play a role in project activities, academic institutions, and mass organizations and civil societies. Various ministries are involved in project activities, including MAF, MONRE, MOIC, and MPI. MAF agencies are directly involved with DOF as the implementing agency of the project, DAEC involved in livelihoods development and extension work, DOFI in forest law enforcement, and NAFRI in studies on livelihoods. Mass organizations (LFNC and LWU) had been involved in SUFORD and will continue to play a role in the project in participatory planning and awareness raising activities at grassroots level. Potential role for civil society organizations to be explored in the project are on free prior informed consultations with communities, participatory planning and implementation, and monitoring. District teams will facilitate project activities in

participating villages: PSFM Teams for forestry activities and Livelihoods Development Teams for livelihood activities.

Institutional Arrangements: The Project components and activities will be implemented at the national level by a number of ministries and their agencies, and at the sub-national level by their line agencies under the direction of the Provincial or District Administration, as the case may be. Participating villages and district teams will undertake day-to-day implementation at grassroots level. Multi-agency committees will provide oversight at three levels, namely: the National Project Steering Committee (NPSC), the Provincial Project Steering Committee (PPSC), and the District Project Steering Committee (DPSC). Project management offices (PMO) will be organized at national, provincial, and district levels. The PMOs will be responsible for the smooth flow of inputs to project activities and the monitoring, verification, and reporting of their outputs.

4. Environmental and Social Impact Assessment of the Proposed Project

4.1 Safeguard Mechanisms

SUPSFM will be supported by funds coming from the International Development Agency (IDA) of the World Bank (WB), as well as funds from the Forest Investment Program (FIP) of the Climate Investment Funds (CIF) with WB as the designated Multilateral Development Bank (MDB) partner of FIP for this proposed project. While SUPSFM is not expected to have adverse environmental impacts, it has been assigned a Category “A” status because it may trigger several WB safeguard policies. This is a precautionary measure to make sure that all safeguards policies are given proper attention, and to help the SUPSFM preparation team identify ways to enhance the expected positive impacts. For a Category A projects the borrower, whose implementing unit is the Department of Forestry, is responsible for preparing an Environmental and Social Impact Assessment (ESIA), which should examine the project's potential negative and positive environmental and social impacts, compare them with those of feasible alternatives (including the "without project" situation), and recommend any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental and social performance. The ESIA, as well as the Environmental Management Plan (EMP) and Safeguard instruments of the project must be compliant with the WB safeguard policies concerning:

- **Environmental Assessment (OP 4.01)**
- **Natural Habitats (OP 4.04)**
- **Pest Management (OP 4.09)**
- **Indigenous Peoples (OP 4.10)**
- **Physical Cultural Resources (OP 4.11)**
- **Involuntary Resettlement (OP 4.12)**
- **Forest Strategy (OP 4.36)**

4.2 Expected Environmental and Social Impacts, and Methodology

There is an extensive library of literature that has been developed for SUFORD, including ethnic development plans; socio-economic impact assessment; traditional ecological knowledge, and various technical handbooks. Of pertinence to SUPSFM are several recent reviews of the SUFORD-AF social livelihoods program and also key studies including Ethnological study of Katuic speaking groups. Those reports were complimented by various mid-term reviews, field assessments, and project social impacts assessments.

Since SUPSFM is extending into new areas that have not previously had social and environmental evaluations pertinent to SUFORD, a social diagnostic was carried out. While the challenges to SUPSFM are expected to be similar to those experienced by SUFORD, the social and environmental characteristics of the northern areas may present yet new unforeseen issues. Safeguards, both environmental and social, become important aspects of SUPSFM design and implementation.

A number of scoping missions were conducted in 2012 between the WB and various stakeholder line agencies, primarily at provincial and central levels. As well as means to further develop the FIP design and gauge GOL capacity, the missions provided a forum for SUFORD technical advisors to present project progress and discuss its positive aspects and challenges. The ESIA makes use of these shared lessons and was supplemented by village level surveys and district office meetings.

The general message from those collective assessments suggests that the environmental and social challenges expected under SUPSFM will be similar to those under SUFORD. The reports indicate that by and large the environmental and social impacts of the forestry and livelihood components are relatively minor, but that some aspects of the design and implementation of SUFORD have shown shortcomings that need to be addressed under SUPSFM. Therefore, an ESIA methodology is taken that focuses on the challenges that have been faced during SUFORD and will continue to be faced during SUPSFM. Those challenges relate to SUPSFM activities in both the previous and expansion areas of SUFORD covering 9 Central and Southern Lao provinces and the 3 SUPSFM expansion provinces in Northern Lao. Those challenges are described below and design changes for SUPSFM are indicated to meet and successfully overcome them.

5. Challenges under SUFORD and addressing them under SUPSFM

The following provides the lessons learned from SUFORD concerning the effectiveness of project mechanisms to deliver full participation of village communities including women and ethnic groups in planning, implementation and decision-making in two main project activities, namely: participatory sustainable forest management (PSFM) and village livelihoods development (VLD). These challenges are being addressed in the SUPSFM design particularly to consider a number of recommendations that are provided below.

5.1 Free, prior and informed consultation process

The implementation of the Ethnic Group Development (EGDP) during SUFORD was rated as only “moderately satisfactory” by the 2008 Social Impact Assessment because villagers reported that decisions had been made too fast and no attempt was made to investigate how local traditional decision-making processes might be incorporated into the planning process. An attempt to correct this was made during SUFORD-Additional Financing Project by focusing on the consultation process and on the role of an applied anthropologist to provide inputs on the relevant groups for inclusion in all aspects of project implementation. Mass organizations, such as the Lao Women’s Union, were also engaged to provide support for communication with local communities.

Despite those efforts recent reviews of SUFORD safeguard performance have concluded that free, prior and informed consultation process was not well implemented or effectively monitored. Field investigations have revealed that government and mass organization staff

tasked with village level work has only a limited understanding of the approach. To address this, project preparation considers the following recommendations:

- Given the size and complexity of the PSFM program, the Government should engage both mass organizations like the Lao Women's Union and Civil Society Organizations to support consultation efforts in the future.
- Consultations must be conducted as a process in which women and men of different ethnic groups are given *full information* to consider.
- Consultation must be conducted with women's groups separately in villages and in their own languages.
- The timing and location of meetings is crucial to ensure the participation of women and poorer families.

5.2 Mainstreaming Ethnic and Gender in Project Activities

The Lao Front for National Construction (LFNC) has a mandate to act in the interest of ethnic groups and reduction of poverty. The Lao Women's Union (LWU) seeks to enhance women's capacity for self-development and promote women's role in society. Both mass organizations had been key partners in SUFORD and involved in village engagements of the project. Unfortunately their participation suffered from the lack of ethnic staff in their teams to bridge culturally and linguistically with target communities. This resulted in community level meetings conducted in Lao without proper translation in ethnic languages. Other weaknesses were observed in the LFNC and LWU engagement in the project during SUFORD, such as lack of facilitation skills of ethnic teams, lack of coordination and reporting between provincial and central levels, and staff turnovers that resulted in loss of capacity building provided. LFNC and LWU will continue to be engaged by SUPSFM with attention given to the following recommendations:

- Recruiting LFNC and LWU representatives that can bridge linguistically and culturally in a gender sensitive manner with target communities and committed to collaborate with SUPSFM to avoid staff turn over.
- Training the LFNC and LWU team members fully in ethnic awareness, participatory methodology, conflict resolution mechanisms, safeguard framework, and community engagement process.
- Providing logistical means to participate in the project.
- Involving LFNC and LWU in project planning and improving the coordination between district, provincial, and central offices.

5.3 Working with village committees

SUFORD had established Village Forestry Organizations (VFO) headed by Village Forestry Committees (VFC) and corresponding institutions at village cluster level, i.e. GVFO and GVFC where "GV" means "Group of Village", as well as Village Development Committees (VDC). However, VFOs had not been functioning well after their establishment as the PSFM activities could be carried out by the district team with the VFC and Village Head without involving the entire VFO. Changes in VFC/VDC members that are linked to their position in village administration had also been occurring without proper orientation of their replacements regarding their role in the VFC/VDC. Village committees will continue to be engaged during SUPSFM as contact and action points in both PSFM and livelihoods development. Formal institutions with bylaws and internal rules such as for benefit sharing will be developed under SUPSFM based on actual need, e.g. for managing village-use forest enterprises.

5.4 Benefit-Sharing from Forest Harvest Revenues

Regulation 0204/MAF/2002 provided the guidelines for timber revenue benefit sharing in sustainable harvesting done in PFAs. The regulation has recently been replaced by the Presidential Decree 001/PR/2012, which provided a 30% of gross timber revenue for forest management and village development with 40% of it provided for participating villages. Several problems in implementing the benefit sharing have been reported, such as communities not informed or not having fully understood the benefit-sharing principles, and provincial officials not transferring the share to the villages. SUPSFM will address the challenge of ensuring fair and transparent sharing of timber revenues by:

- Increasing community awareness of benefit sharing principles to ensure that they can claim what belongs to them when outsiders extract timber.
- Set up monitoring mechanisms to ensure that PAFO does transfer money to villages.
- Continuing support for MOIC to implement transparent and competitive log sales.

5.5 Village Development Grant and Village Fund

SUFORD provided a village development grant (VDG) of 8000 USD to each village that was put to good use mainly for livestock and agricultural development. To secure the VDG, the project promoted the establishment of Village Development Fund (VDF) to be the repository of VDG and other funds received by the village, such as their share of timber revenue. A study on the contribution of VDG to reducing poverty has found that the proportion of poor households that did not receive VDG loans had dropped from 29% to 14%, while those that received VDG loans had dropped to 9%, suggesting that the loans were able to accelerate poverty reduction. The main challenge in the VDG-VDF system is that efforts to develop a revolving fund are not financially and institutionally sustainable, as interest earnings are low and village institutions do not have the necessary skills to manage such schemes. SUPSFM will continue to provide livelihoods development grant to the village. The VDG/VDF system will be designed with the following recommendations:

- Ownership of VDG/VDF is entirely with the villagers rather than district authorities having the final say on the use of the funds.
- Efficient release and transfer of funds to village accounts in a timely and transparent manner.
- Establishing and implementing procedures for checking that funds due have been received by the village.

5.6 Safeguards Measures and Gaps Concerning Ethnic Group Development

During the SUFORD preparation an Ethnic Group Development Strategy was prepared to ensure that ethnic minorities did not suffer negative impacts and that they received social and economic benefits appropriate to their culture and circumstances. However, the application of the strategy was not realized as planned; its implementation had mainly advanced in the better off and more easily accessible districts and villages populated predominantly by Lao and Tai-Kadai. SUPSFM will address this issue by means of the following recommendations:

- Strengthen mechanisms to monitor implementation of safeguards including clear indicators.
- Set up clear baseline to enable the measurement of project impacts and achievements.
- Provide a clear and practical consultation Framework for Ethnic Groups.
- Refine the implementation modalities of the Ethnic Group Development Plans.
- Set up mechanism to ensure that poor households and vulnerable groups are not left aside but actively involved as beneficiaries in project activities.

5.7 Gender equity

The principles of gender equity with respect to natural resource use, its management and decision-making, particularly in upland areas and among different ethnic groups, are quite varied. A lesson learned under SUFORD is that if the project ignores existing customary use of land and forest, it would result in a significant barrier to cooperation from villages. Lack of cooperation had often occurred because project staff tended to talk only to village authorities, who are usually men. Furthermore, ethnic group women tend to be both less familiar with Lao language than do men, as well as less literate, often resulting in women's views being completely marginalized or ignored. Lack of gender equity is reflected in many instances, such as in tenure instruments and marketing exchanges. SUPSFM will address the gender equity issue by considering the following recommendations:

- Train project stakeholders about gender equity and gender mainstreaming.
- Ensure that project will empower women as direct beneficiaries and avoid their marginalization in financial management, tenure issues, etc.
- Set up a culturally and gender suitable interface; this means conducting activities in local languages and providing enough time to ensure that women are fully involved.

5.8 Capacity of project beneficiaries

Given that a much higher proportion of target beneficiaries under SUPSFM will be drawn from a broader number of ethnic groups, and that PFA locations will include more upland areas, it must be recognised early on that the project will be working with communities that would need more interaction time using effective communication methodologies. The capacities of field teams need to be enhanced to meet the higher demand of communicating, discussing, and planning with communities with limited communication skills with Lao speakers, and may often have experienced adverse consequences in their interactions with local authorities. During SUPSFM, capacity building will be approached through “learning by doing”. Training will take place in local languages and at community level to ensure that a maximum of participants can be involved, especially women who lack exposure and less able to leave the village.

5.9 Land acquisition and resettlement

In SUFORD and also in SUPSFM, resettlement or village consolidation will not be supported or induced. Nevertheless, it is expected that some participating villages have been consolidated in the past without proper consultations or livelihood support, or may be planned to be consolidated during the life of the project. As mentioned below in the section on risks, village consolidations often negatively impact on resettled people’s livelihood and asset base. Under SUPSFM, a Resettlement Policy Framework is developed that sets out principles and procedures that will apply when land has to be acquired. (The project will only need small areas of land for small infrastructure. Unoccupied state land will be used; taking of land used for economic or residential purposes is unlikely.) Clear rules and principles have been developed and agreed upon with the government with regard to village consolidations.

5.10 Grievance and conflict resolution mechanisms

A complaint mechanism is needed to handle three kinds of disputes, namely: (i) disputes within the village, (ii) disputes between the village and a private party, and (iii) disputes between the village and government authorities. During SUFORD, tools had been prepared, such as simple checklists, to allow the recording of key issues and conflicts emerging in sub-FMA areas. A database of critical issues had been produced and it had been agreed that DOF would directly contact the relevant stakeholders at provincial level to discuss about resolution

mechanisms for the conflicts listed. However, actions have yet to be taken to solve conflicts. SUPSFM will take advantage of LFNC and LWU capacity to get grassroots voices to reach central level and their engagement in the project to empower them as key actors in grievance redress mechanisms from community to higher levels by raising their awareness, enhancing their skills, and supporting them.

5.11 Participatory Sustainable Forest Management

Progress in forest management planning was monitored under SUFORD using mainly quantitative assessment, which left out any measure of the quality of interactions and the breadth and depth of understanding among community members. It is now widely accepted that project beneficiaries were not given sufficient opportunities to fully participate in PSFM planning and to have their concerns especially on land availability for livelihoods fully heard. The PSFM planning guidelines provide for the identification of high conservation values (HCV) including HCV6, which are areas critical to the traditional identity of local communities. However, in some provinces, HCV6 areas were not inventoried and not mentioned in the forest management plans. SUPSFM will address this issue by considering the following recommendations:

- Ensure that local authorities are involved in participatory forest management to ensure that customary land tenure is taken into consideration.
- Provide time at community level to implement all project activities.
- Define clear steps to be followed by the technical teams and empower the community by presenting the whole process including all steps.
- Avoid top down approach and implement grassroots participation at community level.
- Allow local farmers to employ their traditional rotational farming methods on those lands that are zoned for agricultural production, ensuring that sufficient land is available to allow appropriate fallow periods.
- Ensure that all culturally significant areas in each participating communities are inventoried and delineated, and that customary law concerning those areas are incorporated in the plan.

5.12 Land Tenure

Many ethnic groups practice a system of land use and resource management that is uniquely adapted for upland areas. This has developed over generations as part of traditional ways of life and is underpinned through ritual and customary practices. PSFM planning must be predicated on adequate land tenure systems whereby villagers with upland rotational cultivation are supported and assisted to have communal tenure over enough *agricultural* land to ensure their livelihoods. SUPSFM will address this issue through the conduct of participatory land-use planning (PULP) that is enhanced to integrate gender sensitive consultation, while improving local communities' enforcement capacity to prevent villagers and migrants from opening new slash-and-burn areas.

5.13 Monitoring and evaluation

Mechanisms to monitor project implementation had not been adequate. Many formats prepared at central level that would have been useful to monitor participation of ethnic minority, women, and the poor were not shared until late in the project cycle. This resulted in the lack of valid indicators to measure to which extent poor, women, and ethnic minority participated in project activities. Safeguard assessment concluded that LWU and LFNC should have played a more active role in monitoring and evaluation (M&E), and that neutral parties such as NGOs should also have participated in project monitoring. This will be

addressed in SUPFSM by setting up both internal and external monitoring mechanisms, with internal monitoring done on on-going basis throughout the project period and external monitoring done by an appropriate agency and/or qualified independent consultant once a year. Under the SUPFSM, participatory Monitoring and Evaluation (M&E) will be carried out to give opportunities to project beneficiaries and affected people to voice any concerns they have or suggestions to improve project performance.

6. Risks and potential impacts

The challenges outlined above present risks that SUPFSM would have to address, particularly in relation to:

- **Risks related to livelihood loss.** Potential loss of livelihoods due to restrictions on livelihood activities or access to forest resources is expected to be minor because SUPFSM will implement a participative Community Engagement Framework and the PLUP process which will enhance current land and resource use patterns to the extent that is technically possible and environmentally sustainable. The project also will seek to introduce more sustainable resource use and a diversity of forest-based livelihoods options, including agroforestry systems that should counteract any potential loss to livelihoods.
- **Risks related to weak consultations and participation.** The project's core activity is to work with communities that are reliant to varying degrees on forest resources for their livelihoods. Many of the communities to be included in the project are culturally and linguistically distinct ethnic groups who live outside the mainstream Lao culture. The project will be based on the informed participation of communities by means of a Community Engagement Framework which is designed to engage with ethnic as well as non-ethnic groups.
- **Land tenure and access to natural resources.** Options for secure tenure of households and communities in Laos are constrained by uncertainty and competition for land. Government retains the authority to expropriate any type of land, whether covered by tenure rights or not, for purposes of national interest as well as for Foreign Direct Investment (FDI) opportunities. A title or concession lease may only increase the value of compensation a developer might have to pay. Under current law, and if future legal revisions enables government to retain comprehensive rights of expropriation, land tenure in Laos can only be enhanced, not guaranteed, and rest on making expropriation as expensive and unattractive as possible. Addressing land tenure under SUPFSM must therefore take into account a very dynamic set of circumstances, but taking advantage of stated Party and national intentions to safeguard rural tenure security as a key strategy to reduce poverty, improve agricultural production, and enhance environmental protection.

A number of additional risks are expected to affect SUPFSM implementation including the following:

- **Village consolidation and relocation.** National policies relating to poverty reduction merged villages to maximize the distribution of services and poverty reduction activities and to accelerate economic development. An unwanted consequence has been an increase in land and natural resource disputes. Unfortunately, village merging did not take account of ethnicity or pre-existing customary use rights. Related to this,

villages have also been relocated from the highlands to the lowlands as a strategy to reduce shifting cultivation, eradicate opium production, improve access to government services, and consolidate villages into larger, more easily administered units. However, in many cases relocation led to the opposite effect of increased poverty, food insecurity, conflicts, and a diminished status for women, as they lose control over agricultural land.

In order to address such risks, those villages that have been consolidated under the government village consolidation program will be identified through a desk review and initial engagement with villages. Through participatory consultations will also be carried out in each village to assess if: (i) land and tenure issues associated with the consolidation have been resolved to the satisfaction of communities, and (ii) adequate land for agriculture or other means of livelihood to improve, or at least maintain their livelihoods, has been made available. Those villages where outstanding issues related to land for agriculture and natural resources are identified will be excluded from the project, and the findings will be conveyed to Provincial Authorities for appropriate action. Such villages can subsequently become project beneficiaries if: (i) Provincial Authorities demonstrate that issues have been resolved, (ii) communities confirm such resolution met standards of free, prior and informed consultation, and (iii) communities provide their broad community support for participating in SUPSFM. All those villages scheduled or proposed for consolidation during the project life will be excluded from the project.

- **Existing land concessions and incompatible granting of concessions.** Provision of land concessions has caused the loss of land not only in villages but also in forestry and watershed areas. Problems arose because concessions were granted without surveys or supervised land allocation, without consulting local communities, and without consideration of existing land uses. This was coupled with a perception that granting concessions enables government to achieve targets in other stated policies, such as eradication of slash and burn cultivation. Land concessions have been championed as a means of reducing poverty by opening land productivity. In many instances, the opposite has been the case.

Regarding risk of overlapping concessions, an inventory of concessions in project provinces will be periodically updated and discussions will be held with participating provincial governments and sponsoring ministries to avoid or minimize impacts in project financed areas.

- **Other risks and impacts.** SUPSFM also has to deal with other risks including migration and labor availability, salvage logging that extends beyond allowed sites, illegal logging, illegal wildlife trade, shifting cultivation and access restriction, pesticides use, and fire occurrences.

7. Mitigation measures

7.1 Checklist, Eligibility Criteria, and Project Screening

There are some limitations to involving all villages in both the PFA and landscape approaches. These limitations relate mainly to local level effects of national strategies and potential consequences for effectiveness of project engagement and investments. Eligibility criteria will include those related to village consolidations described above, and eligibility

will be determined at the early phase of the project implementation in respective provinces through desk review and participatory consultations.

7.2 Enhanced Community Engagement and Consultation

The main approach that will be implemented during SUPSFM to address the gaps in the application of safeguard measures is the design and application of a responsive community engagement process, building staff capacity, and regular monitoring. The following improvements will be factors in the design of an enhanced community engagement process: (i) better consultation through adoption of the enhanced participatory land use planning (PLUP) methodology developed in 2009, which has been pilot tested in several provinces; (ii) integration of gender sensitive consultation and data management; (iii) preparation of activities which give equal weight to men and women's land and natural resource use; (iii) community consensus of village area boundaries, activities, land use and land tenure, for PFA land areas targeted for SUPSFM activities; (iv) improved enforcement capacity to local communities, supported by provincial and district authorities, to prevent villagers and migrants opening new slash-and-burn areas; (v) inclusion of community land adjacent PFAs, and making it eligible for agro-forestry support.

Community engagement by the project will be undertaken by PSFM Teams and Village Livelihoods Development (VLD) Teams whose members will be district staff that will be based in Technical Service Centers (TSC). A TSC will be established in a focal village in each village clusters to bring extension services closer to the villages and allow for synergism between the two teams. The team members will be provided training in each stage of the process that will involve consultants, as well as non-profit associations (NPA) with proven expertise in effective community engagement. The teams will also be backstopped by roving project assistants based in the district, one for forestry and another for livelihoods, who will also participate in and provide hands-on support to the teams' community engagement.

Community engagement events for PSFM and VLD will be modular and based on two linked sequences that will each lead to the preparation and implementation by participating villages of PSFM plans or community action plans (CAP) for livelihoods development. A graphical flow model of each sequence (PSFM or VLD) will be prepared and discussed in each village. The graphical flow model will be followed in the conduct of community engagement events related to PSFM and VLD. The villagers will then be able to trace the development in PSFM and VLD as they and their development partners go through each event and subsequent operations in the sequence.

Community engagement will be undertaken in stages, as follows:

Stage 1: Selection of participating villages and team formation. This stage will cover the selection of participating villages following a set of eligibility criteria, team formation and orientation, and preparatory studies related to livelihood options, their requirements, markets, and viability.

Stage 2: Community awareness and resource diagnostics. This stage will cover project disclosure, baseline surveys and community consultation on project plans, initiating the free prior and informed consultation process, and community resource profiling.

Stage 3: Participatory planning: consultations, consensus, and agreement. This stage will cover participatory land use planning (PLUP) and agreement on components of PSFM plans and the Community Action Plan for livelihoods development.

Stage 4: Implementation of a Community Action Plan. This stage will cover the implementation of PSFM plans and CAP, institution and implementation of grievance mechanism, and monitoring and evaluation consisting of village self-monitoring (participatory monitoring) and project monitoring.

7.3 Raising Legal Awareness at Community Level

Legal empowerment is a keystone of development and a process through which the poor are protected and enabled to use the law to advance their rights and interests. SUPSFM will support legal awareness through Village Mediation Units. In areas where they already exist, communities will be informed and directed toward paralegals for legal awareness, as grassroots paralegal are effective agents for creating legal awareness amongst ethnic minority communities.

7.4 Participatory Land Use Planning (PLUP)

Participatory and use planning will be used to identify land use areas and agreements with communities and this is central to PSFM strategy and a mandatory pre-step towards issuance of tenure documents. There are numerous PLUP methodologies used in Laos at the time of project preparation. DoF will follow the updated PLUP Manual issued by MAF and NLMA under a joint MoU in 2009.

7.5 Physical Cultural Resources

SUPSFM project covers a wide footprint across three provinces in northern Laos. In this area is a rich diversity of cultures and ethnicities and there is potential for SUPSFM activities to impact on PCR. Detailed evaluations of village PCR was not conducted as part of the SUPSFM preparation. PLUP planning process, which precedes ground activities, will identify known and potential PCR sites. Competent authorities will be consulted on whether PCR would be affected by the project in any given location.

7.6 Adaptable Models for Forest-based Livelihoods

Potential options for expanding forest-based livelihoods will be explored with villagers through farmers associations for their adoption. Three principal models have been identified including tree farming, agroforestry, and assisted natural regeneration. All models will integrate food security components.

7.7 Integrating Environmental Mitigation within a PES Approach

‘Ecosystem services’ (also referred to as ‘environmental services’) in PFAs are the broader benefits obtained from forest ecosystems in addition to revenue from timber sales. These include (i) provisioning services, such as food and water; (ii) regulating services, such as flood control; (iii) cultural services, such as spiritual, recreational, and cultural benefits; and iv) supporting services, such as nutrient cycling. Payments for Ecosystem Services (PES) involves the ‘users’ of these services and the ‘providers’ entering into a voluntary agreement to maintain or enhance an ecosystems ability, through engaging in a certain land-use or management regime that is (more) ecologically benign, to provide a well defined service for a specified period, for an agreed price, paid conditionally upon provision of the service in question. SUPSFM will explore the marketing of PES services in various markets including:

(i) Market segment for watershed services; (ii) Market segment for Biodiversity; (iii) Market segment for Landscape Beauty, and (iv) Market segment for combined ecosystem services.

8. Project Feedback Mechanisms on Grievances

The GoL Decree 192 on Compensation and Resettlement of People Affected by Development Projects requires an investment project to establish a mechanism for grievance resolution. Grievances that arise due to project activities will be resolved following a grievance mechanism that is based on the following key principles:

- Rights and interests of project participants are protected.
- Concerns of project participants arising from the project implementation process are adequately addressed and in a prompt and timely manner.
- Entitlements or livelihood support for project participants are provided on time and in accordance with the above stated Government and World Bank safeguard policies.
- Project participants are aware of their rights to access grievance procedures free of charge.
- The grievance mechanism will be in line with existing policies, strategies, and regulations on redressing village grievances as defined by GoL.
- The grievance mechanism will be institutionalized in each village by a selected group of people, involving ethnic minorities, women, and representatives of other vulnerable groups in the village.

There are three distinct cases where complaints mechanisms will be required: (i) disputes within or between villages (ii) disputes between village and government authorities; (iii) disputes between a village and a third party other than the government. The project will provide training and support to strengthen existing structures at the community level for effectively and collectively dealing with possible grievances. Grievance resolution at village level will make use of traditional mechanisms, as well as village mediation units (VMU) and support mechanisms provided by Technical Service Centers on VMU, such as on improving representativeness of its members particularly of women. Grievances that are not resolved at village level will be raised to higher levels including the district level, provincial, and national levels through their respective Project Steering Committees.

9. Monitoring and Evaluation

SUPSFM will build on the existing reporting, monitoring, and evaluation system developed for SUFORD, and will be aligned with the Forestry Strategy 2020, World Bank core indicators for the forestry sector, and the SUPSFM Results Framework. The project will also undertake special studies on free, prior and informed consultations, stakeholder participation, especially ethnic groups and women, technical aspects of project implementation, safeguards, capacity building and other issues relevant to the project. The role of communities in monitoring will also be strengthened. Participatory monitoring will be supported to ensure that grassroots level information and perceptions are incorporated and forming an important basis for the M&E process and databases. The Government of Finland Technical Assistance will play an important role in results monitoring and evaluation in close partnership with DoF with a strong focus on capacity building.